

FIRST CHOICE MORTGAGE

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ARM Disclosure and Description of Programs

This disclosure describes the features of the adjustable-rate mortgage (ARM) programs. This disclosure is not a commitment by the lender to make you a loan on any of the terms described in this disclosure. It is intended solely to provide you with a general description of our loan programs. If you eventually obtain a loan from the lender, the loan note, security instrument and related documents ("loan documents") will establish your legal rights and obligations. Information on any other ARM programs we may have is available on request.

How Your Interest Rate and Payments are Determined

Your interest rate will be based on an index plus a margin. Your payment will be based on the interest rate, loan balance, and loan term. The initial rate may be a discount rate or premium rate and may not be based on the index used to make later adjustments. A premium interest rate is one that is greater than the interest rate calculated by adding the index and the margin. A discount interest rate is one that is less than the interest rate calculated by adding the index and the margin. Ask us for the amount of any current interest rate discounts or premiums. After the initial period, your interest rate will equal the current index rate plus the margin rounded to the nearest 1/8 of one percentage point (0.125%), unless an Adjustment Cap or the Lifetime Cap limits the amount of change in the interest rate.

How Your Interest Rate Can Change

Your interest rate can change every twelve months after the first interest rate change date ("First Change Date"). The First Change Date will be 11 months from the first payment date. The amount of your new payments will be due starting on the first monthly payment date after the Change Date until the amount of your monthly payment changes again. **However the First Change Date will not start until after 3 or 5 years for that type of arm loan.**

Adjustment Cap. No interest rate change after the First Change Date will be more than the Subsequent Adjustment Cap. Your First Adjustment Cap will be set at 2 percentage points. Your Subsequent Adjustment Cap will be set at 2 percentage points. There is no limitation on the total amount by which your interest rate can decrease over the life of your loan except that your interest rate can never be lower than the margin, regardless of how low the index may drop. Regardless of the current value of the index plus the margin, your interest rate can never exceed the Lifetime Cap, which will be established when you "lock-in" or price protect with your lender the initial interest rate and discount points applicable to your loan. Your Lifetime Cap will be set at 6 percentage points above your initial rate.

How Your Monthly Payment Can Change

Your monthly payment can **increase** or **decrease** substantially based on the annual changes in the interest rate. The amount of your new payments will be due starting on the first monthly payment date after the Change Date until the amount of your monthly payment changes again.

You will be notified in writing at least 25 days, but not more than 120 days, before the due date of a payment at a new level. This notice will contain information about your interest rates, payment amount, and loan balance.

ACKNOWLEDGMENT OF RECEIPT

I (We) acknowledge receipt of this Arm Disclosure Statement.

Borrower

Date

Borrower

Date